

# RETIREMENT AND SUCCESSION PLANNING

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## Retirement and Succession Planning

People are living longer and with better health than previous generations. Over one million employees in the UK are over 65 and 25% of today's workforce say that they expect to still be working when they are in their 70s.



Retirement doesn't have to mean finishing work completely. Many organisations benefit from making the most out of their senior members of staff and many individuals wish to continue working but on reduced hours as part of a phased approach to retirement.

Succession planning contributes to the long-term success of a business and keeps the business moving forward. It identifies highly talented individuals who can fill a leadership or business-critical position. This type of future planning also boosts a company's workplace culture as it creates training and development opportunities for the growth of both the individual and the business. This strategy demonstrates commitment to the workforce, it advances careers, it makes employees feel valued and is great for morale.

There is definitely a social and cultural shift to the way we think about retirement and succession, so how does an organisation strike the right balance for both the business and the employee? In this eBook we've provided key details and best practices to create the optimum retirement and succession planning strategies.

### Here's what we'll cover:

- Early conversations
- Benefits of succession planning
- Skillset analysis and identifying development needs
- Identifying successors
- Capturing the expertise of a senior member of staff
- Lateral moves
- Promoting communication and collaboration
- Importance of flexibility
- Internal v external recruitment
- The crucial role of HR

## Early conversations

Having open conversations early on is vital and will support the health and wellbeing of your workforce. Investors in People state that managers should be discussing retirement plans with individuals ten years ahead of the expected retirement point in their sector or their job role.

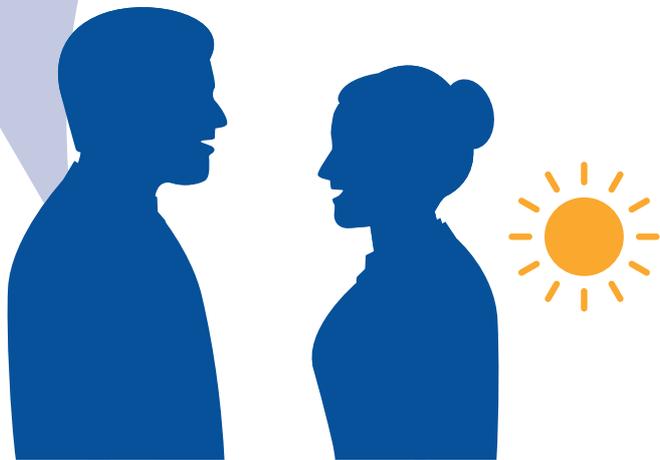
Waiting for an employee to mention their retirement plans is poor planning and will not end well. Late conversations will put pressure on both the manager and the individual and there certainly won't be a smooth transition.

Early conversations allow the employee to visualise a realistic picture of when they will be able to afford to retire and may prompt the individual to consider how much they need to have in their pension pot and make adjustments if necessary.

All conversations must be carried out sensitively to avoid the risk of age discrimination. A manager must never give the impression that they expect the individual to retire at a particular age.

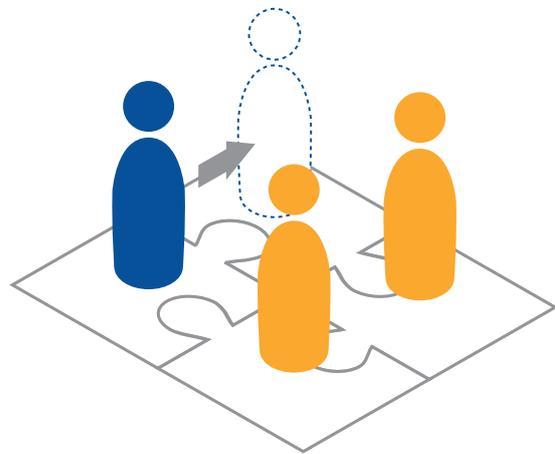
- Do not ask questions that put pressure on the employee.
- Ask about future work plans and their aspirations – this can be included in an annual review.
- Discuss these issues with all members of staff regardless of their age.
- Make individuals aware that there are options to suit them.

Many organisations arrange for external companies to present to their workforce 'pre-retirement courses' to provide information and advice on retirement. These courses or presentations must be open to all employees regardless of age, if they are only targeted to the senior members of staff this could result in unlawful age discrimination.



## Benefits of succession planning

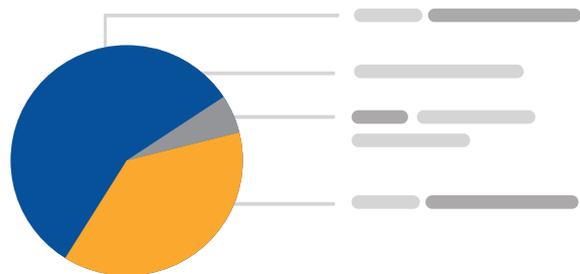
- Current employees are provided with a clear vision for the future of the business as well as their own career paths.
- Investors are reassured that the business will continue to run smoothly even when key members of the workplace leave or take a phased approach to retirement.
- Senior members of staff or business owners can strike a healthier work life balance by handing the baton to other talented members of staff.
- Those members of staff who are planning their retirement will be able to explore their options, including the possibility of reducing hours in preparation of their retirement, and discuss how to carry out an effective knowledge transfer plan.
- Organisations can create training and development plans for long-term success and continued optimal productivity.



## Skillset analysis and identifying development needs

Having a senior member of staff coach a successor prior to their retirement will ensure a smoother transition, however successors still need training and development to equip them with the tools and the mindset needed to progress into a more senior position.

To address development requirements it is best practice to carry out a skillset analysis and identify the areas and positions that would have the most detrimental impact on the business should they become vacant.



Once the areas and business critical positions have been identified, consider answers to the following questions:

- How will the current position be used, is it time to alter the role's responsibilities to fit in with the future strategy of the business?
- What are the competencies and skills required for the roles?
- Can the business create stretch opportunities for the highly talented employees who display leadership potential?
- Is there a current career path which will allow these highly talented employees take on the roles identified for them?
- What are the gaps in the career path, skillset and mindset?

## Identifying successors

After establishing the skillsets required for the business-critical roles a business must identify those employees who show a strong interest to progress with the company.

There are two approaches to identify these individuals; an informal approach through discussions, or by a more formal approach in the form of an assessment of competencies.

A competency framework will determine the knowledge, skills, abilities and experiences of an individual. Soft skills must also be identified and nurtured for them to become leaders, these include resilience, communication, teamwork, problem-solving, empowerment and empathy.

Employees must take into consideration both full-time and part-time employees when identifying successors and consider flexibility in their employment contracts. Embracing flexibility in the workplace will attract a wider talent pool and will enhance the effectiveness of the succession strategy.

Successors can be put in place short-term as well as long-term. To prevent an organisation becoming vulnerable, key positions must be filled quickly even if it is on a short-term basis before a permanent successor is put in place. In order to satisfy this, a generic approach should be adopted which targets a 'pool' of positions to develop cross-functional capabilities. Identifying and developing a pool of talented individuals to fill a number of roles will keep a business safe from unfilled business-critical positions.

Once successors have been identified for particular roles or as part of the talent pool the organisation must create individual training and development programmes inline with the organisation's growth strategy.



## Capturing the expertise of a senior member of staff

As part of your succession planning consider how your senior members of staff can transfer their skills. Their experience is incredibly valuable so don't let their insight, contacts and knowledge leave with them. Through early planning an individual can spend a considerable amount of time working alongside their successor to ensure their expertise is passed on.

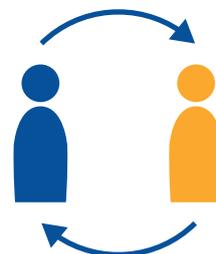
Effective individual knowledge transfer plans can be created to reflect the retirement plan which will take into account whether the member of staff plans to retire completely or cut back on their hours.



### Lateral moves

Taking advantage of lateral moves for additional training instead of the usual upward move can be extremely beneficial, especially in organisations where there are few managerial levels. A vast amount of additional experience and different insights can be obtained by an employee by moving sideways into another department taking on an alternative role.

When properly planned these lateral moves can be a very cost-effective element of a succession strategy.



### Promoting communication and collaboration

Organisations today benefit from a diverse workforce witnessing many generations working for them.

The younger, more tech savvy, employees can coach others on how to use technology and social media, while the more mature employees can become mentors demonstrating the much-needed softer skills required for leadership positions.

Create ways for the different generations to learn from one another and make it part of your workplace culture.



### Importance of flexibility

Succession plans must be flexible to work successfully, it can evolve over time hence the need for frequent, open conversations. As with other processes that impact people, one size rarely fits all. Trying to force a standard process for every individual will inevitably fail.

Organisations must take an agile approach and continually assess their strategy to be able to modify it to keep up with the pace of change within their workforce. The individuals identified to become successors and those identified to form part of the talent pool must also be evaluated frequently to ensure their training and development plans are on track.



## Internal v external recruitment



Having a clear vision for the growth of the organisation and having a robust retirement and succession strategy will allow an organisation to recognise if they can develop their existing workforce. If this isn't the case a business may need to recruit strong candidates externally.

Let's take a quick look at the considerations:

- The cost of recruiting versus extensive training and development of an existing member of staff.
- The size of the organisation; smaller businesses will need to consider ongoing logistical costs too for taking on an additional member of staff.
- It's a fact that some positions are not easily replaced, some critical roles require an individual with substantial internal knowledge of the organisation and an understanding of the culture and values. If recruiting externally for a senior position, the candidate must be the right fit and bring the necessary acumen. A psychometric assessment is a great tool to assess whether an external candidate is the right fit culturally.

When external recruitment is necessary:

- The role will benefit from a different perspective.
- The competencies identified for the role do not match that of existing members of staff.
- A senior member of staff exits quickly and leaving the vacancy unfilled or with an inexperienced replacement with inadequate training would be harmful to the organisation.
- When an organisation's internal structure is unstable and shifting members of staff internally would be too disruptive.

Any external recruitment campaign must be carried out in plenty of time to allow for mentoring and there must be a robust training plan to onboard the new hire.

### **The crucial role of HR**

For retirement and succession planning to be successful and run smoothly those involved in creating the strategies must completely understand how the organisation is to evolve and how future growth plans will impact the workforce planning (the process to ensure an organisation has the correct volume of individuals with the relevant skills to deliver its objectives). A succession committee should include senior management, the CEO and HR professionals.



Retirement and succession planning includes various factors including a management resourcing strategy, skillset analysis, workforce planning, job filling, training and development, changes in contracts and external recruitment campaigns.

Not only does HR have a critical role in these components, the HR professionals must maintain a robust and secure database on all employees which provides crucial information on an individual's past performance, offer insight, provide career guidance and give training and development advice to continually develop talent.

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